2003-2004
BUDGET

Budget Speech

Québec

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2003-2004 BUDGET

Budget Speech

Delivered before the National Assembly
by Pauline Marois,
Deputy Prime Minister
and Minister of Finance, the Economy and Research
on March 11, 2003.

Finances, Économie et Recherche
Québec

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Introduction

Madam President:

The 2003-2004 Budget Speech is being made in a stimulating, encouraging context. Today, we can build on some important achievements, thanks to our successes as a society with regard to sound public finances, job creation and social development. Together, we have succeeded in rising to considerable challenges, and together, we shall continue to build a dynamic, solidary Québec.

The international context, however, requires that we be vigilant and cautious. As everyone will recall, the 2002-2003 Budget Speech was delivered in exceptional circumstances, less than two months after the Sept. 11 attacks. At the time, the Québec government acted swiftly to ensure the economic and social security of Quebecers.

That same vigilance is required more than ever. In regard to the management of public finances, Quebecers expect transparency, rigour and efficiency from their government. In regard to the choice of government priorities, Quebecers are right to demand, more than ever, a State focused on fundamental issues that will foster a society that is, of course, more prosperous, but also more caring.

Extensive pre-Budget consultations

Over the past few months, in conjunction with pre-Budget consultations, I met with people from the 17 regions of Québec, I had discussions with some of our best economists and I talked with representatives from a large number of associations concerned with the future of our society.

That exercise was very useful and highly rewarding. I would like to thank everyone who took part in it. I was able to see how much it means to them that Québec be financially and socially responsible.

The 2003-2004 Budget presents a clear vision for Québec in the years to come. A confident, bold, innovative Québec where everyone can make a contribution in his or her own way. A Québec that is able to work in concert with everything in our society that moves, thinks, creates and builds. A Québec where the State has its place, but not the only place. A State that plays its role to the fullest while respecting the priorities of Quebecers.

Obviously, the State cannot meet all expectations, all demands. There is, however, one clear message that everyone agrees on: the government must make choices for the benefit of society as a whole and be even more rigorous in its management in order to address new needs.

Last October, the Prime Minister defined in *Horizon 2005* the action plan proposed to Quebecers by the government for the coming years. The 2003-2004 Budget is the logical extension of that plan and flows from the

vision I have just presented of Québec for the years to come. It has also been enriched by the consultations I conducted in recent weeks.

This Budget was prepared with three objectives in mind:

— First, it was essential that we stay the course of a balanced budget. Regardless of the effort this requires, the only way Québec can meet the expectations and needs of its population is through sound public finances.

— Second, the Budget is the best tool at our disposal for stimulating economic activity and job creation with a view to generating greater prosperity.

— Third, it is precisely through that prosperity that we will be able to build a more caring society, in line with our ideals and values. The Budget is the opportunity to take initiatives in this regard and to act on the government's commitments.

Maintaining a balanced budget

I am very pleased to announce today that, for the sixth consecutive year, we are presenting the Québec population with a balanced budget. Never in the modern history of our nation has a government succeeded in managing public finances so responsibly.

By maintaining sound, well-managed public finances, we give ourselves tools with which to take action without compromising the prospects of future generations. I want to emphasize that, thanks to our excellent budget management, we have succeeded in significantly reducing the government debt load. Between 1998 and 2003, the debt to GDP ratio fell from 43.8% to 35.1%. That is excellent news, which, I am certain, cannot help but please all members of this assembly, regardless of their party.

The maintenance of a balanced budget is all the more remarkable in that it is being accomplished in a context of fiscal imbalance between Ottawa and the provinces. We do not have at our disposal all of the resources we need to assume our responsibilities. We must therefore exercise tight spending control. Accordingly, all new initiatives announced in this Budget will be entirely funded through a major budgetary reallocation.

A more prosperous society

This Budget will also enable us to continue building a more prosperous Québec. Remarkable steps have been taken in this regard in recent years.

We must go even further. We must create more jobs and make sure that all regions of Québec share in the prosperity. This Budget is in line with the Towards Full Employment strategy I released last December. It also continues our government's pro-active intervention on behalf of the regions.

A more caring society

Lastly, this Budget addresses the needs expressed by Quebecers. That is why we must balance the demands of a modern, dynamic society with its citizens' quality of life.

With this Budget, we introduce new initiatives to balance work and family life. We make more resources available for education and health. We continue the fight against poverty. At the same time, we propose concrete measures to enhance environment quality and support our dynamic culture. And those are just the first steps we intend to take in the coming years, once the population has renewed its trust in us.

The Budget I am tabling today is a cautious one. It preserves the main financial framework, which will enable us to adapt rapidly if warranted by international events. It also prepares for the future by investing in the know-how of Quebecers and in their quality of life.

I. A responsible government: balanced public finances

(a) Solid performance of the Québec economy

The Québec economy has shown spectacular growth in recent months, especially considering that Québec, like many other economies, had to cope with difficult economic conditions in the wake of Sept. 11. As everyone will recall, the 2002-2003 Budget was tabled earlier than usual, in November, in order to bolster household confidence, notably by accelerating public investment.

That strategy bore fruit.

— In 2002, the economy grew by 3.8% in Québec, outperforming that of Canada and the United States.

— Also, in 2002, Québec created 118 000 jobs over a twelve-month running average. What is more, from December 2001 to December 2002, it created 170 000 jobs—the highest level since 1973.

— That success, to which small and medium-sized businesses largely contributed, directly benefited young people. Since 1997, more than 100 000 jobs have been created in the 15 to 24 age group.

— Unemployment has declined in all regions, without exception. In the Capitale-Nationale and Chaudière-Appalaches regions, the unemployment rate even fell below 7% in 2002.

— In 2003, according to a recently published Statistics Canada survey, total public and private investment will increase by 8.8% in Québec, compared with 3.5% in Ontario and 2.1% in Canada as a whole.

Consequently, we forecast 3.5% growth in 2003, which should lead to the creation of nearly 89 000 new jobs.

(b) Maintain the zero deficit

The results of our action are therefore highly encouraging.

However, it should be pointed out that, despite the solid performance of the Québec economy, surpluses do not abound. Far from it, as strikingly illustrated by the financial results for 2002-2003.

With regard to revenue, the gains generated by our robust economy were partially diminished by various factors:

— The decline in stock markets reduced the income of individuals and businesses alike and, consequently, our income tax revenue.

— Our businesses were affected by the situation in the United States, which resulted in a decline in Québec exports in such sectors as softwood lumber, telecommunications and aeronautics, which, in turn, affected income tax on business profits.

— In addition, several businesses used losses sustained in 2001 to reduce their income tax.

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	2001-2002	2002-2003	
	Actual results	Supplementary Statement 2002-03-19	Preliminary results
Budgetary transactions			
Own-source revenue	41 004	43 065	43 712
Federal transfers	9 305	8 842	9 108
Total revenue	50 309	51 907	52 820
Operating expenditure	– 43 976	– 44 713	– 45 540
Debt service	– 7 261	– 7 194	– 7 280
Total expenditure	– 51 237	– 51 907	– 52 820
Budgetary reserve			
Use of funds allocated to the reserve to finance spending and maintain a balanced budget	950	—	—
Budgetary surplus after reserve	**22**	**0**	**0**
Non-budgetary transactions			
Investments, loans and advances	– 1 142	– 1 661	– 1 966
Capital expenditures	– 995	– 1 674	– 1 642
Retirement plans	2 089	1 975	1 987
Other accounts	– 589	488	– 306
Non-budgetary requirements	**– 637**	**– 872**	**– 1 927**
Net financial surplus (requirements)	**– 615**	**– 872**	**– 1 927**
Financing transactions			
Change in cash position[2]	132	2 044	– 2 043
Change in direct debt[2]	3 623	1 593	5 628
Retirement plans sinking fund	– 3 140	– 2 765	– 1 658
Total financing of transactions	**615**	**872**	**1 927**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 On the basis of the 2003-2004 budgetary and financial structure.

2 The preliminary results for 2002-2003 take into account borrowings of $4 053 million made in advance, whereas the actual results for 2001-2002 include $1 154 million in borrowings made in advance.

Québec's public finances will have to be managed just as carefully in 2003-2004.

Before any additional injections into the health budget further to the federal government's announcement, growth in program spending will be capped at 3.7%.

As everyone knows, after a long battle waged by Québec's Prime Minister and his colleagues from the other provinces, we recovered additional funding for health from the federal government—funding which, it bears repeating, comes from the income tax paid by Quebecers to Ottawa.

As everyone also knows, the federal government will pay us a lump sum with which we will have to make do for three years. Despite the constraints, we have made responsible choices in this Budget. All of the money recovered for health will be reinjected into that sector. However, the money will be injected gradually, in order to meet needs over a three-year period.

As a result of the additional increase in health spending, our spending will grow by 5.8% in 2003-2004.

The new initiatives totalling $400 million announced today will be financed through major budgetary reallocations.

To that end, a working group chaired by the President of the Conseil du trésor will be mandated to identify all areas where savings can be made in the various departments, and will be given all necessary powers for that purpose.

In the same spirit, I will mandate a group of experts to review all of our economic support initiatives, with the dual objective of simplifying government action and pursuing our job creation efforts.

Already, we have put considerable effort into tackling what is appropriately called red tape. Today, we need to do more. We need to examine the number of government programs and rethink each program's role so as to reduce the number of programs and make them more efficient.

As a result of this streamlining, we can table a Budget that does not provide for any income tax or tax increases, as well as attain our balanced budget objective in 2003-2004.

In 2004-2005, if the fiscal imbalance issue has not been resolved, barring exceptional economic growth, even tighter management of the financial situation will be required.

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
2003-2004 FORECAST
(in millions of dollars)

Budgetary transactions	
Revenue	56 650
Expenditure	– 55 841
Amounts allocated to the budgetary reserve to fund the health sector	– 809
Budgetary surplus (deficit)	**0**
Non-budgetary transactions	
Investments, loans and advances	– 2 451
Capital expenditures	– 1 482
Retirement plans	2 111
Other accounts	748
Non-budgetary requirements	**– 1 074**
Net financial surplus (requirements)	
Consolidated Revenue Fund	500
Consolidated organizations	– 1 574
	– 1 074
Financing transactions	
Change in cash position	4 113
Change in direct debt	– 654
Retirement plans sinking fund	– 2 385
Total financing of transactions	**1 074**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 On the basis of the 2003-2004 budgetary and financial structure.

II. A more prosperous society

Buoyed by the remarkable economic performance to date, our government has set 2005 for achieving full employment. The strategy I released in December contains clear objectives and a specific process to that end. It stems directly from the Horizon 2005 action plan tabled last fall by our government.

Achieving full employment in 2005 is a target that is at once demanding and stimulating. It means that we tackle poverty directly, and that we enable everyone to find fulfilment in work by putting their talents to use. We want everyone who wishes to work to find suitable employment.

This Budget follows through on the commitments made in this regard. It also announces a number of new initiatives.

These measures have two goals:

— intensify our economic development efforts and, at the same time,

— ensure that all regions of Québec share in the prosperity.

(a) Continue economic development

To support economic development and thereby achieve full employment, we have focused on three main areas of intervention: worker training, business investment and technological change.

Capitalizing on the wealth of our labour force

During my consultation tour, all regions spoke to me about the need to better train Québec workers so that they can take their place and excel in the economy of the 21st century. The Labour-Market Partner Commission even made training one of its main priorities.

Our schools, colleges and universities are the principal players in charge of this crucial mission for our future, and I could see that they are fully aware of that fact. We are therefore freeing up considerable amounts in this Budget to support them in that task.

Local employment centres also have a crucial role to play.

That is why I am announcing today that my colleague the Minister for Employment will be able to invest $60 million over three years to better meet job market needs. Most of that amount will be used to accelerate vocational and technical training for trades in high demand. Another portion of the amount will be used to enrol more people in the training or employability programs they need to re-enter the job market. We also

want to facilitate job entry for people aged 45 and over by helping them to better develop their skills.

Fostering business investment and helping businesses meet the challenges of the 21st century

The second focus of our strategy is to foster investment by businesses to help them meet the challenges of the 21st century.

Continued support for private investment

The corporation Investissement Québec is a choice tool for that purpose. Its performance in the first four years has been more than conclusive on the investment and job creation fronts.

We will therefore pursue the actions undertaken by Investissement Québec. We will be renewing certain programs that were to end on March 31, 2003. For example, the business working capital assistance program that I launched in 2001 will be extended to March 31, 2004, since some sectors of the economy—aerospace, telecommunications, sawmills and machinery and equipment manufacturers, for example—are still affected by the slowdown in 2001 and 2002.

Québec strategy for export development

Exports represent an extremely valuable lever for economic development. And on the tough international playing field, Québec businesses have managed exceedingly well over the years.

To wit, exports to foreign markets and other Canadian provinces as a share of Québec's GDP rose from 44% in 1990 to over 60% in 2001. In Québec, one out of four jobs is directly or indirectly related to exports; in the manufacturing sector, it is nearly three out of four jobs.

Consequently, in accordance with our commitment of last December, I am making public today a strategy to develop exports implemented by my colleague the Minister for Industry and Trade. This strategy will make it possible to support Québec businesses in their efforts to increase their exports and thereby create jobs. Several businesses and business groups—in particular the Board of Trade of Metropolitan Montreal and the Quebec Alliance of Manufacturers and Exporters—have been calling for such a policy for a long time.

New policy for the development of cooperatives

In Québec, non-financial cooperatives account for 35 000 jobs, which have the merit of being largely concentrated in outlying regions. We are seeking today to give new impetus to this sector, which generates jobs and solidarity throughout Québec.

In accordance with our commitment, I am tabling today a new policy for the development of cooperatives that will make it possible to improve their capitalization and financing tools to better reflect their needs.

We plan to devote $20 million to implementing this policy over the next three years.

Development of social economy businesses

The special support that we have given social economy businesses in the past few years is today yielding spectacular results. This sector contributes substantially to Québec's development. It represents close to 2% of our GDP and employs approximately 65 000 people.

Social economy businesses operate in a multitude of fields. While the personal services sector accounts for the largest number of employees, social economy businesses are also present in the agri-food, forestry, culture and social tourism industries.

The social economy is one of the greatest assets of our society, which is why we want to develop it even more. Hence, it gives me great pleasure to unveil today our action plan for the development of social economy businesses.

This action plan will receive a budget of $20 million over three years.

Turning technological change to greater advantage

The third focus of our full employment strategy consists in turning technological change to greater advantage.

In a world of endless discoveries, innovation and technology are more than ever the source of prosperity. Building the Québec of tomorrow therefore means developing leading technological know-how and expertise here at home.

The Québec government is aware of the stakes involved and has already devoted considerable resources to promoting research and development and enhancing our ability to innovate. Our economic performance is tangible proof of that.

This Budget intensifies our effort in this regard.

Facilitate the growth of biotechnology firms

Many firms have recently emerged in the promising sector of biotechnology. To ensure that they grow and take hold in Québec, these firms must have access to sufficient venture capital.

Accordingly, I am announcing today the creation of a fund to promote the growth of emerging biotechnology firms in Québec. The fund will be allocated minimum capital of $300 million. The Société Innovatech du Grand Montréal, which will coordinate the fund's implementation, as well as the Fonds de solidarité des travailleurs du Québec and the Société générale de financement, will each contribute $50 million at the outset. Other private investors, both local and foreign, will be called upon to contribute. Thus, Québec is setting up a major strike force, capable of preserving and intensifying the role of this industry in the Québec economy.

The Bio-Levier program will continue to facilitate the growth of these firms by granting capitalization loans. We will inject another $50 million into the program, over and above the $100 million already allocated.

This Budget also invests in the development of management skills in this promising, but still fledgling, sector. Accordingly, we will support the establishment of a bio-industry management institute.

Increased budgets for research

In addition to this special effort in the biotechnology field, we will further step up our government's initiatives in favour of research. Québec has already made exceptional progress in this regard, outstripping the OECD countries with respect to research and development's share of GDP.

I am announcing another $21 million in investments by the Québec government in 2003-2004.

— For example, we will intensify innovation in the regions. To that end, we are allocating additional funds to college centres for technology transfer. Our goal is to foster the efficient transfer of knowledge, know-how and new technologies to SMEs. In that way, many innovations will be able to make it to the marketing stage and contribute to the start-up of new businesses. In so doing, we are also following through on a repeated request by the regions.

— We will also support business incubators, which play an essential role. They provide support services to new businesses and help them manage their development more effectively, thereby greatly increasing their survival rate.

— We will also encourage the development of the nanotechnology sector, which has great potential. Nanotechnologies constitute a genuine technological revolution, as they enable humans to control the atomic structure of matter.

— We will support social innovation by fostering the transfer of research findings in the human and social sciences to the groups that need them. This will promote the adoption of new approaches to social

problems such as poverty, violence, and the exodus of young people from the regions.

(b) Increase prosperity in all regions

Taking the regions to heart

The regions have been a focal point of ours in recent years. Just recall the economic development strategy for the resource regions that I announced in the 2001-2002 Budget was accompanied by an $800-million investment. More recently, our government introduced the first national policy on rurality.

In November 2002, at the Prime Minister's initiative, the *Rendez-vous national des régions* provided an opportunity to take another step, the conditions being right for a targeted, flexible approach, by making more room for the creativity and autonomy of local decision makers.

Promoting the return of young people to the regions

Our first action targets young people. Without a doubt, young people are the very hope and future of these communities. We are putting significant effort into making it easier for them to remain in, or return to, the regions.

In fact, a group of young participants in the *Rendez-vous national des régions* submitted some interesting proposals to us, which I drew upon in preparing this Budget.

— First of all, we want to encourage new vocational-school, college and university graduates to acquire their first work experience in a remote resource region. For that purpose, I am announcing the introduction of a refundable tax credit of up to $8 000 for these young people. A tax credit will also be granted to their employer.

— A second measure is intended especially for the most highly educated and specialized young people, who have often had to go further into debt to complete their studies. To attract them to the remote resource regions, I am announcing that they will be entitled to a tax credit on the interest paid on their student loan that will be twice as generous as the credit available to other young people.

— Lastly, I am announcing that the tax credit for on-the-job training will be doubled for training done in a remote resource region. The document *Additional Information on the Budgetary Measures*, which is an integral part of this Speech, contains further information on these measures.

With the measures announced today, our government is injecting no less than $27 million a year to encourage young people to return to the remote resource regions.

Ensuring vibrant businesses in the regions

Our second action is aimed at ensuring the vitality of businesses in the regions.

Financing of ACCORD agreements

For the purpose of our second action, we will first provide for the financing of ACCORD (for **A**ction **C**oncertée de **C**oopération **R**égionale de **D**éveloppement) agreements.

I am making available to my colleague the Minister of State for Population, Regions and Native Affairs additional funds of $17 million as of this year, to finance projects stemming from ACCORD agreements. Thus, we are honouring one of the commitments made at the *Rendez-vous national des régions*.

ACCORD agreements are based on a modern concept of regional development providing for close involvement of regional leaders. They are the ones who must identify niches of excellence specific to their region. Already, no fewer than six regions have mapped out their game plan and signed an ACCORD agreement. In this way, Québec and its regions are breaking new ground and positioning themselves as few societies in the world have done.

Regional business assistance funds

With a view to ensuring vibrant businesses in the regions, we are also mobilizing resources on behalf of the regional business assistance funds.

The emergence and development of small and medium-sized businesses are the cornerstone of local and regional development. Local development centres (CLDs) are our government's principal instrument for supporting, guiding and stimulating the economic development of communities.

We have therefore renewed the CLD budgets in the local investment fund for the next five years, making it possible to promote innovative financing formulas, such as access to patient capital.

In addition, we want to strengthen the synergy between the CLDs and the so-called SOLIDE companies, in order to bolster their capacity for financial involvement in common issues. Hence, assistance of $1 million a year is being made available to conclude a partnership agreement between these two networks.

To support projects and special initiatives in regions and localities, I am announcing today a $24-million budget that will be under the responsibility of the regional development councils.

At the request of regional representatives, they will have all the necessary leeway in the use of the funds we will be allocating to them. Regional leaders will have to determine their priorities together. However, I can already imagine that the Mauricie region would prioritize its far-reaching regional governance project, while the Centre-du-Québec region would devise specific initiatives to attract investors to start up businesses there.

Support for the resource regions

The resource regions need special support these days.

For several months, the regions that are heavily reliant on forestry have suffered the adverse effects of the softwood lumber dispute. I am therefore announcing a new tax credit to facilitate the construction of forest access roads, which will enable some $18 million a year to be injected into the areas concerned.

In addition, my colleague the Minister of Natural Resources will be able to count on an increase of $5 million a year to develop private forests.

The regions where fishing is an important industry are also experiencing hardship. The Minister of Agriculture, Fisheries and Food will be able to rely on additional resources of $5 million a year to support the fishing and aquaculture sectors.

Support for the agri-food industry

As the main economic engine of several regions, the agri-food industry has grown considerably in recent years. Certain adjustments—for example, greater diversification—need to be made if the industry is to continue to progress.

We will therefore inject $11.5 million a year to promote the development of niche and local specialty products, the creation of new outlets for Québec products outside Québec and innovation in food-processing businesses.

The greenhouse industry, which is also expanding, must however increase its productivity and energy efficiency. Hence, to create and reinforce 1 100 jobs, this Budget provides for a plan to support and develop the greenhouse industry, through a $16-million budget over three years.

Support for the tourism industry

Doing more for the regions also means developing the tourism industry.

First, we want to work with the areas concerned to better exploit winter tourism in Québec. My colleague the Minister for Youth, Tourism, Recreation and Sport will receive $6 million this year for that purpose.

Moreover, I am announcing the establishment of a Gaspé–Anticosti–North Shore maritime link and the construction of tourism infrastructures on Anticosti Island. Through this investment, the government is supporting the efforts of the Gaspésie and Côte-Nord regions to develop a world-class marine tourism product that is one of a kind in North America. The Société des établissements de plein air du Québec (SÉPAQ) will also carry out projects in national parks, wildlife reserves and SÉPAQ's tourist establishments in order to further enhance our tourism supply.

III. A more caring society

Quebecers want us to maintain balanced public finances and do everything possible to create jobs in all regions. They also want their national government to work toward fostering a more caring society.

(a) Make it easier to balance work and family life

Work-family balance is the first area in which our government plans to step up its efforts.

The pace of modern life and the tough demands placed on workers in terms of performance, availability and mobility make it increasingly difficult to balance work and family life. Who doesn't know men and women who are torn between the demands of the workplace and the demands of a balanced, happy family life? The support of the State seems essential to me if we want to encourage families to have children.

Our government already does a good deal for families. For example, Québec families receive twice as much financial support as families in Ontario. That support will reach $3.6 billion in 2003-2004.

In December, the National Assembly passed a number of amendments to the *Act respecting labour standards*, in particular with a view to balancing work and family life.

With this Budget, we begin a new chapter in our support for families. We want that support to be in Québec's image: a modern Québec that respects both individual choices and the need to give ourselves, as a society, innovative tools to address today's realities.

The four-day work week, for example, has generated much interest, as has the possibility of a third week of holidays. Self-employed workers are asking for initiatives that reflect their specific family life context. The intention of our government is to demonstrate originality and vision, and I sincerely believe that our actions on behalf of families to date show that we are able to act in accordance with the priorities of the population.

Achieving work-family balance through the workplace

Many of the solutions to the problems experienced by families are, of course, found in the workplace.

This Budget therefore helps workers and their employers, particularly small and medium-sized businesses, find satisfactory solutions together for balancing work and family life. Possible scenarios include a four-day work week, flexible hours, work-time organization and special leave for parents. I am confirming today that we will devote $20 million a year to

implementing specific support for businesses with fewer than 200 employees, so that they can finance the cost of setting up such programs.

Developing the network of early childhood centres

To balance work and family life, we have, up to this point, focused on early childhood centres, which provide educational daycare services in return for a limited financial participation by parents. Judging by the success of these centres, I believe that the government was right on target. I am especially proud to have participated in the implementation of this immense social project.

In December 2002, there were 155 000 five-dollar daycare spaces in Québec's early childhood centres. I am confirming today that, under the authority of the Minister of State for Social Solidarity and Family and Child Welfare, we will complete our network of 200 000 spaces one year ahead of schedule, that is, in March 2005.

I would point out that the government has been open-minded in this regard. Indeed, parents who make other choices also receive government assistance. In 2002, we granted $180 million in refundable tax credits to parents who have their child looked after in a private daycare centre, at home or in a summer camp.

New tax credit for parental leave for self-employed workers

The need for self-employed workers to have access to parental leave was brought up over and over again during my consultations. I am announcing today the introduction of a tax credit for parental leave for self-employed workers, despite the federal government's stubborn refusal, for the moment, to participate in the establishment of a Québec parental insurance plan that would cover all workers.

This tax credit will be in effect as of the 2003 taxation year until the parental insurance plan is implemented. It will offer self-employed workers who give birth to or adopt a child financial assistance equal to 55% of their net income, for twelve weeks, without exceeding $5 070.

New tax credit for natural caregivers

Supporting people who are losing their autonomy is another challenge of balancing work and family life.

I have long believed in the social—I would even say the humane—value of the devotion of natural caregivers. Solidarity is a value that is instilled and that develops first within the family. That is why I am announcing the introduction of a new tax credit for people who take care of a relative who is losing his or her autonomy. This new refundable tax credit will mean $600 a year for some 80 000 people. I know that many families in all

regions of Québec will see themselves in this measure, and I hope that they will find support and comfort in it. Women in particular come to mind.

New program to encourage the cohabitation of seniors with their families

Another way to make life easier for many families in Québec is to support them in their desire to house elderly relatives. We are therefore introducing a new home adaptation assistance program. At a cost of $5 million, this program will enable, for example, a staircase to be adapted or an addition to be built to a home.

(b) Create more stimulating, better-equipped schools

A more caring society is achieved through more stimulating, better-equipped schools. Education has always been a priority of our government. We moved swiftly to develop vocational and technical training in order to close the gap that had widened in these areas over time. We invested in our universities, with regard to both infrastructure and the enhancement of training. We launched a major reform of primary and secondary education.

Our government is therefore granting major resources to the education sector today.

The coming years promise to be highly stimulating for young people. The economic outlook and labour market requirements indicate that doors will be wide open to them in every trade imaginable, from the most to the least specialized. More than ever, young people must be skilled and have a diploma. I know that that is an ongoing concern of my colleague the Minister of State for Education and Employment. He can count on the support of the entire government to achieve our goals in this regard.

We also know that schools help build a more prosperous society. All of the related research shows that there is a direct link between the schooling of the population, job creation and collective wealth.

Today, we are pursuing our efforts, together with all stakeholders, to reduce the drop-out rate and provide incentives for success and obtaining a diploma. We hope to make schools more dynamic as well as stimulating environments.

It was in this spirit that the *Ça bouge après l'école* program, to start in September 2003, was born. Funding of $81 million over three years has been earmarked for the implementation of this novel program.

My colleague recently announced a two-hour increase in teaching time at the primary level beginning in September 2004. This mesure will represent

an overall investment of $184 million and will allow for greater emphasis on physical education and the arts.

Making up ground in school libraries

In recent years, Québec has invested in the development of school libraries and the upgrading of computers in primary and secondary schools. However, much remains to be done if school libraries are to fully play their role in developing the knowledge of students. During my consultations, many regions indicated their needs in this regard. This Budget therefore provides for additional investments of $131 million to continue upgrading and increasing the number of computers, and to enhance book collections in school libraries.

Better-adapted, more targeted priorities

The education system must continue to meet job market needs effectively and be able to adapt to societal changes.

To that end, the ministère de l'Éducation will receive an additional $42 million to address new priorities as of the next school year.

Four sectors in particular have been targeted:

— vocational training at the secondary level;

— technical training programs at the college level;

— access to training in remote regions;

— continuing education.

(c) Increase resources for health

Quality, universal and accessible health care is a significant concern for Quebecers, as is the availability of social services throughout Québec.

The health budget for this year will be $19.1 billion. That is an increase of $1.7 billion over last year's budget, and of $6.2 billion compared with six years ago. The share of the Québec budget allocated to health will rise from 36.3% to 41% between 1997-1998 and 2003-2004. Hence, our government is making a considerable effort to fulfil Quebecers' expectations with regard to health.

In accordance with the commitment made by my colleague the Minister of State for Health and Social Services, we will continue our efforts to make the health-care system more efficient, in particular through performance contracts and cost control.

We also plan to continue reducing the waiting lists for cardiology, oncology, ophthalmology and orthopedics.

In addition, we will devote $556 million to improving front-line services.

Thus, some 100 family medicine groups should be in place by the summer to provide services to nearly two million Quebecers around the clock. Moreover, CLSCs will now be open seven days a week, for a minimum of 70 hours a week, thereby increasing accessibility for people in all regions of Québec.

We will bolster home support for people who need it, and we will add to the budgets of residential centres for seniors. This measure will benefit 23 000 more people. Lastly, considerable sums will be allocated for young people in difficulty and for people suffering from mental illness.

I am also announcing that $70 million a year will be made available to the Minister for Health, Social Services, Youth Protection and Prevention to support our government's new emphasis on prevention in health care and social services. We are convinced that prevention is the best investment for a society seeking to improve the quality of life of all citizens.

Capital investment in medicine and life sciences in Québec universities

To address the shortage of professionals in the health sector, we increased enrolment in the faculties of medicine of Québec universities. Enrolment will also substantially rise in nursing and pharmacy programs in order to cope with the increasing needs of the health-care system.

As a result of this increase in enrolment, new buildings will have to be built and existing buildings will have to be refitted and renovated. To satisfy these needs, we will invest another $225 million in the coming years in the three-year capital spending program for the university network.

In fact, I am announcing today the reinforcement of a "health pole" for eastern Québec in the national capital. We will expand and renovate the Ferdinand-Vandry pavilion at Université Laval's faculty of medicine. Major projects will also be undertaken at the Université de Montréal and McGill University.

Other projects include the construction of buildings for the life sciences program at the Université du Québec à Montréal and the Université de Sherbrooke. These new facilities will strengthen our position in the biotechnology sector.

Ottawa had the means to correct the fiscal imbalance but chose not to

The amounts injected into the health sector obviously include the $838 million in federal transfers recovered at the first ministers meeting in January.

Almost a year ago to the day, the Séguin Commission tabled its report showing, beyond a shadow of a doubt, the existence of a fiscal imbalance penalizing the provinces. In the case of Québec, the Commission evaluated the fiscal imbalance at $2.5 billion a year in the short term.

The amounts injected by the federal government into health care are only a very partial solution to this major problem. Canada's prime minister justified the weak federal contribution by claiming that there were no surpluses.

Yet the last federal budget is a particularly eloquent illustration of the current fiscal imbalance. As we saw, the federal surpluses are enormous, and the central government chose to spread the spending around rather than invest in health, despite the fact that it is the people's No. 1 priority.

The fiscal imbalance problem is still not resolved. Our government intends to continue the fight undertaken with the other provinces in order to recover what is owed us.

However, we know that the real solution lies in the recovery of all income tax and taxes paid by Québec and, consequently, in the accession of the Québec people to full sovereignty.

(d) Further promote solidarity and the fight against poverty

A more caring society is one in which everyone shares in the prosperity. It is a question of dignity, a question of solidarity. Building a more caring society is therefore achieved by fighting poverty.

Setting new milestones in our strategy to combat poverty

It has been a number of years already since our government undertook its fight against poverty.

We adopted a zero-poverty clause for social-aid recipients with a severely limited capacity for employment. We also introduced the Fund to Combat Poverty through Reintegration into the Labour Market. The major initiatives announced in the 2001-2002 and 2002-2003 budgets totalled almost $1.4 billion over three years.

Passage of a law and adoption of an innovative approach

In December, the National Assembly passed a bill to combat poverty and social exclusion, which was unanimously endorsed by all political parties. It was a decisive moment.

I am announcing today the first steps in the implementation of this strategy.

Extension of the $100-exemption to all support payments received for a child

As of January 1, 2004, the $100 monthly exemption regarding support payments will be extended to all households that receive social aid and have a dependent child, regardless of the child's age. This measure will benefit 12 000 more families.

Continuation of the intervention approach for young people receiving employment assistance

The *Solidarité jeunesse* program set up to provide individualized support to young people on social assistance has been extremely successful. No fewer than 10 000 young people throughout Québec have received assistance under the program. Such a success story deserves to be continued. This Budget therefore makes this initiative permanent and extends it to young people aged 21 to 24.

Fonds québécois d'initiatives sociales

The anti-poverty legislation established the Fonds québécois d'initiatives sociales, which takes over from the fund created to finance initiatives to combat poverty and social exclusion.

I am announcing that, initially, the Fonds québécois d'initiatives sociales will dispose of $66 million over three years. Another $25 million, from the Fondation Lucie et André Chagnon, will be added to this amount to prevent child poverty. I want to emphasize here that a form of particularly active, committed private patronage is emerging, primarily on the social front, in Québec. Québec has thus joined the ranks of other major societies that can rely on this type of commitment. It is without a doubt a promising avenue for the future of Québec.

Support for independent community action

Community action groups play an irreplacable role in several areas of our society, especially in the fight against poverty.

In this Budget, we will bolster the assistance we provide such groups. Thus, my colleague the Minister for the Elimination of Poverty and

Exclusion will see our support for independent community action increased by $10 million a year.

In addition, we are extending the *Achat-rénovation d'immeubles communautaires* program, aimed at supporting community groups by enabling them to reduce their operating costs.

The measures announced today to support social development and the fight against poverty therefore total $50 million in 2003-2004.

Improving the housing situation

To my mind, a powerful means of combating poverty is to give low-income families access to decent, quality housing, particularly when there is a housing shortage.

As we have seen, Québec's economic performance resulted in the creation of a record number of jobs. That translated into a very high demand for housing, which sent residential construction soaring while also creating a housing shortage.

For low-income tenants, as well as those with incomes closer to the average, the shortage can take on dramatic proportions.

That is why, in November 2001, I announced a vast investment program totalling nearly $500 million over five years.

I am announcing today that we will further step up this effort by adding $270 million to our initial commitment.

To start with, these additional resources will enable more than 20 000 low-rental or affordable housing units to be built.

We will also take concrete action to attenuate the immediate impact of the housing shortage for 3 700 households.

But that is not all. We will see to it that 13 000 other elderly or handicapped people obtain a dwelling adapted to their needs. For example, we will respond to four times more requests for home adaptations, thereby reducing the waiting list and waiting times of the Société d'habitation du Québec.

With regard to renovations, we will extend the *Rénovation Québec* and *RénoVillage* programs, scheduled to end soon, to 2005-2006. This measure will benefit some 17 000 households.

All told, this series of measures will benefit approximately 54 000 more households across Québec, primarily in municipalities where there is a housing shortage.

(e) Enhance environment quality

Environment quality is an important aspect of the more caring living environment to which Quebecers aspire.

In this Budget, we will increase environmental spending, by targeting two areas of intervention:

— control of greenhouse gas emissions; and

— implementation of the national water policy.

Control of greenhouse gas emissions

Climate change is one of the most fundamental issues of our century.

Québec therefore intends to pursue its efforts to better control greenhouse gas emissions, in accordance with the Kyoto Protocol.

Among other things, our plan for controlling greenhouse gas emissions promotes the increased use of public transit. Accordingly, I am announcing today that, henceforth, employees will be able to deduct the cost of their transit passes in the calculation of their taxable income. As a result, we believe that more employees will begin using this type of transport.

We will also encourage the reduction of greenhouse gas emissions in landfills. The methane emitted by these sites is one of the most harmful gases.

By recovering methane and sending it to nearby industries, we will help both the industrial and waste disposal sectors.

This is a concrete measure geared to sustainable development. Accordingly, we will support interested businesses by investing $10 million in this action.

Implementation of the national water policy

Quebecers consider our water to be not only a source of wealth, but also a source of life and sustainable development. The national water policy we unveiled last fall will enable us to make a significant contribution to safeguarding this heritage treasure.

Beginning this year, we will help those who have already begun working together to plan the optimal use of water in river basins they have pledged to protect.

I must also point out that our water policy, spearheaded by my colleague the Minister of State for Municipal Affairs and Greater Montréal, the Environment and Water, contains a major support component for

municipalities that renew their water supply and treatment infrastructures. We hope to invest $3 billion in it in the coming years, in collaboration with the federal government. Since the last federal budget is all but silent on this point, we will have to present our needs in this regard again, together with the municipal sector.

Our priority in this regard is to finish cleaning up the Saint-Charles river in Québec City. Even without the support of the federal government, this project will be completed for the 400th anniversary celebrations of the founding of the city of Québec.

I am announcing that we will soon conclude a "city contract" with our national capital. This innovative tool has already enabled us to conclude a modern partnership with Montréal, our biggest urban centre, and we have entered into discussions with the city of Longueuil.

(f) Support our cultural vitality

This budget also confirms our government's commitment on behalf of culture.

Culture is often said to be the soul of a people. I also think that, in the context of globalization, national cultures have a key role to play not only within each State, but also in the dialogue between nations.

With this Budget, the government is launching an unprecedented offensive on behalf of the film and audiovisual industries. I am therefore announcing today that our policy entitled *Pour mieux porter le Québec à l'écran* will be allocated $20 million a year.

In this Budget, we want to provide assistance to all of our creators. In accordance with our commitment, we will increase our support to the Conseil des arts et des lettres du Québec. We are adding $5 million to the additional $7 million already granted. I am also announcing a broadening of the tax deduction for copyright income.

Moreover, the government confirms its commitment to the major events and popular festivals held throughout Québec. From the Festival en chanson de Petite-Vallée in the Gaspésie region to the FrancoFolies de Montréal to the Festival du cinéma international in Abitibi-Témiscamingue to the Québec winter carnival, it is the image of a caring, warm, fun-loving Québec that we project to people from every region and to the many visitors from the world over.

I am therefore announcing today an annual budget of $12 million to support such events and festivals. The Société des événements majeurs nationaux, which will be responsible for paying out the bulk of this funding, will now be under the authority of the Minister responsible for Youth, Tourism, Recreation and Sport.

Montréal, our major economic centre that has sparked remarkable growth throughout Québec, particularly in terms of job creation, is also an exceptional city from the standpoint of cultural vitality.

I am announcing today major investments in the Place des Arts de Montréal, over and above those in the new Bibliothèque nationale du Québec and the major project concerning the Orchestre symphonique de Montréal. Substantial investments will also be made in the Grand Théâtre, located in our national capital.

Thus, the government is committing considerable new resources to support culture and its artisans. As forcefully stated by the Minister of State for Culture and Communications, we are not merely supporting one of the manifestations of our identity as a people. We are also supporting a sector that creates jobs and that positions Québec advantageously in the world.

Conclusion

The 2003-2004 Budget is a good illustration of the government's priorities regarding its management of public funds.

— Above all, this Budget is indicative of a responsible administration. Our government put public finances in order and is unwavering in its efforts to safeguard that achievement.

— I am therefore proud to have presented a balanced budget, a budget that does not compromise the prospects of future generations.

— This Budget carries a message of confidence in, and promise for, the strength of our economy and the ability of the regions to participate fully in the prosperity of Québec as a whole.

— This Budget paves the way for a fairer and more caring and equitable society. It commits to stimulating initiatives that will enhance the quality of life of all Quebecers.

This Budget is possible because the population at large was convinced that the time had come to put an end to haphazardness, which it succeeded in doing largely because of a man who, as finance minister, was determined, humanistic, and visionary, and whom it is our honour to have as Prime Minister.

In fact, this Budget illustrates the strengths of this nation, its capacity to innovate and take action, as well as its performances in an extraordinarily competitive, constantly changing world. Québec, as we all know, has undergone profound change, and our government accompanied and supported those changes.

Just imagine what we could do if we had at our disposal all of the means and instruments due us, half of which are in the hands of another government. That is called sovereignty, and I believe it is the true key to our future development.

We should all feel like accompanying along that path the one who chose to quote Gaston Miron in a budget speech, when he said: "I have never travelled toward another country but you, my country."

Thank you, Madam President.

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
2003-2004 FORECAST
(in millions of dollars)

Own-source revenue	
Income and property taxes	
Personal income tax	17 186
Contributions to the Health Services Fund	4 706
Corporate taxes[1]	3 887
	25 779
Consumption taxes	
Sales	9 064
Fuel	1 616
Tobacco	934
	11 614
Duties and permits	
Motor vehicles	689
Alcoholic beverages	158
Natural resources[2]	128
Other	183
	1 158
Miscellaneous	
Sales of goods and services	471
Interest	402
Fines, forfeitures and recoveries	384
	1 257
Revenue from government enterprises	
Société des alcools du Québec	550
Loto-Québec	1 389
Hydro-Québec	1 530
Other	641
	4 110
Consolidated organizations	2 166
Total own-source revenue	**46 084**
Federal transfers	
Programs	
Equalization	5 200
Canada Health and Social Transfer	4 273
EPF and other transfers related to fiscal arrangements	15
Other programs	683
Consolidated organizations	395
Total federal transfers	**10 566**
Total budgetary revenue	**56 650**

1 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of the tax on capital for insurance companies, as well as the tax on telecommunications, gas and electricity.
2 Includes forest, mining and hydraulic resources.

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
2003-2004 FORECAST
(in millions of dollars)

Operating expenditure	
Program spending	– 46 593
Consolidated organizations	– 1 567
Total operating expenditure	**– 48 160**
Debt service	
Consolidated Revenue Fund	– 6 968
Consolidated organizations	– 713
Total debt service	**– 7 681**
Total budgetary expenditure	**– 55 841**

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
2003-2004 FORECAST
(in millions of dollars)

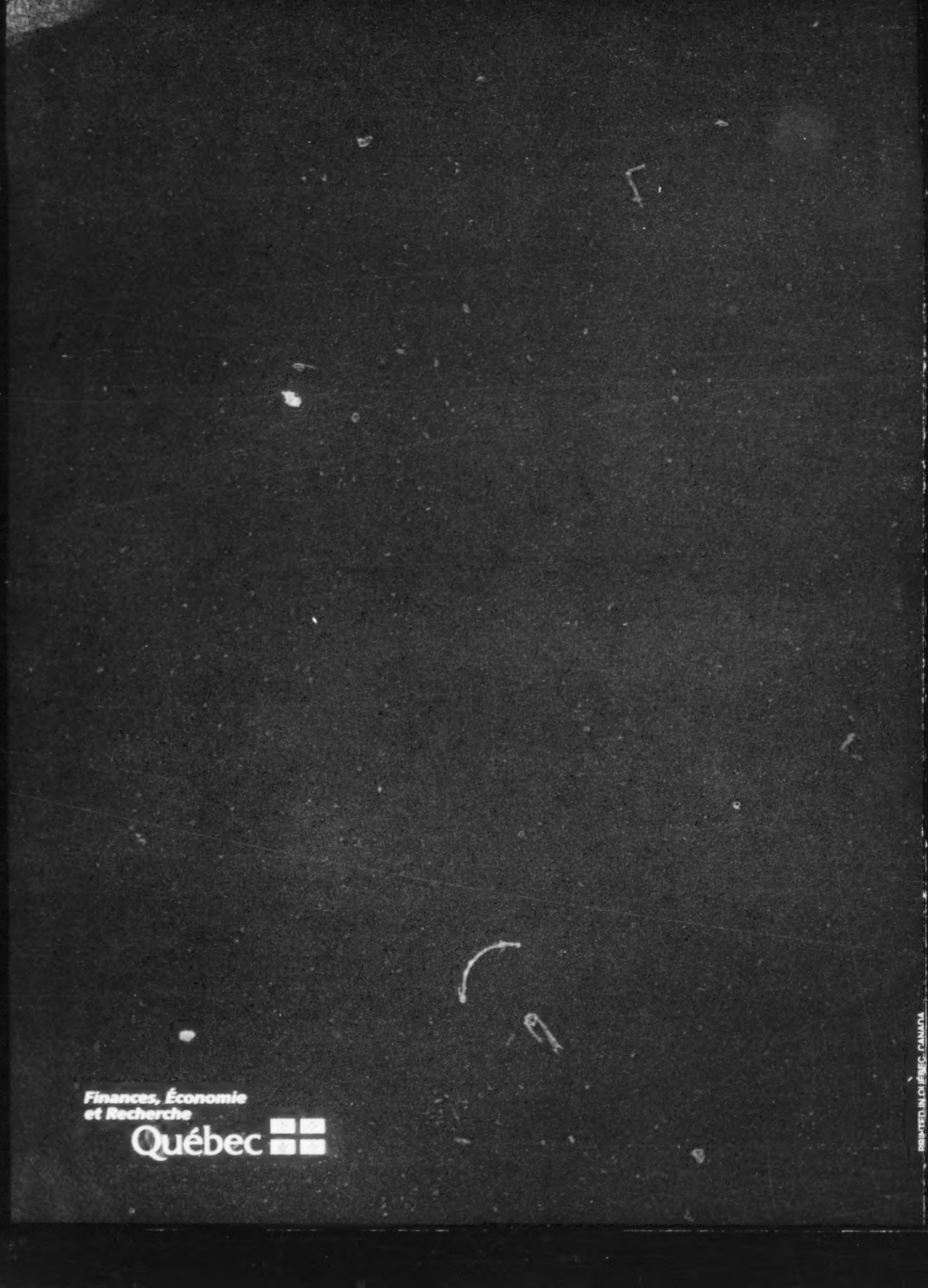
Investments, loans and advances	
Consolidated Revenue Fund	– 2 066
Consolidated organizations	– 385
Total investments, loans and advances	**– 2 451**
Capital expenditures	
Consolidated Revenue Fund	
Net investments	– 336
Depreciation	221
	– 115
Consolidated organizations	– 1 367
Total capital expenditures	**– 1 482**
Retirement plans	
Contributions	5 243
Benefits and other payments	– 3 132
Total retirement plans	**2 111**
Other accounts	
Consolidated Revenue Fund	851
Consolidated organizations	– 103
Total of other accounts	**748**
Total non-budgetary transactions	**– 1 074**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
2003-2004 FORECAST
(in millions of dollars)

Change in cash position	
Consolidated Revenue Fund	4 053
Consolidated organizations	60
Total change in cash position	**4 113**
Change in direct debt	
Consolidated Revenue Fund	
New borrowings	1 682
Repayment of borrowings	– 3 850
	– 2 168
Consolidated organizations	
New borrowings	2 810
Repayment of borrowings	– 1 296
	1 514
Total change in direct debt	**– 654**
Retirement plans sinking fund	**– 2 385**
Total financing of transactions	**1 074**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.



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